

# Utah Public School Energy Efficiency Fund Zero-Interest Loan Program

## State Energy Program Utah Geological Survey

The Utah Geological Survey's State Energy Program is pleased to offer to Utah public school districts this no-interest loan program to help finance energy efficiency improvements in public school buildings. Because the program ties loan payback periods to each district's projected energy savings, there is no net cost to the district while loans are being repaid. Once the loan is repaid, the district then keeps all of the cost savings from the project. Loans may be between \$5,000 and \$250,000. Through this program we hope to assist public schools with upgrading their facilities, saving energy, saving on operating costs, and improving the environment in both their local communities and the state of Utah as a whole.

### Background

During its 2007 General Session, the Utah Legislature in House Bill 351 established the Energy Efficiency Fund. The purpose of the fund is to provide loans to public school districts for the financing of energy efficiency projects in district buildings. The legislature provided an appropriation of \$5 million to capitalize the new fund. Under the provisions of House Bill 351, the Board of the Utah Geological Survey (UGS) administers the Energy Efficiency Fund, which is managed on the Board's behalf by the UGS' State Energy Program (SEP). Under the authority of House Bill 351 and Utah Code 53A-20C-102, UGS issued rules to establish eligibility and application procedures for distributing loans from the Fund (Utah Administrative Code R638-3). These rules took effect on August 31, 2007, allowing for the initiation of this zero-interest loan program.

### Who is Eligible for a Loan?

Only public school districts within the state of Utah are eligible for a loan from the Fund. This does not include private schools, parochial, or charter schools.

### What Kinds of Facilities are Eligible?

Loans may be awarded for energy efficiency projects that take place only in a district-owned building. This includes not only schools but other buildings such as maintenance facilities, administrative offices, libraries, gyms, and other district-owned buildings. Projects that take place at district-owned facilities that are not buildings (e.g., athletic fields and stadiums, parking lots, etc.) are not eligible for assistance from the Fund.

### What Kinds of Projects are Eligible?

Upgrades to existing buildings and efficiency measures in new buildings are both eligible for assistance:

For energy efficiency projects involving renovation, upgrade, or improvement of existing buildings, the following project measures are eligible for financing from the Fund:

- Building shell improvements
- Increase or improvement in building insulation

- Window and door upgrades
- Lighting upgrades
- Lighting delamping
- Heating, ventilation, and air conditioning (HVAC) replacements or upgrades
- Improvements to energy control systems
- Other energy efficiency projects that a district can demonstrate will result in a significant reduction in the consumption of energy within a building.

Energy efficiency measures installed during new building construction are eligible when the following conditions are met:

- The building measure or system for which a loan is sought must surpass the minimum prescriptive requirements of the Utah Energy Code; and
- The completed building must exceed the minimum energy performance standards of the Utah Energy Code for its building type by at least 10%.

In such projects, however, only the additional cost associated with a “beyond code” measure is eligible for financing from the Fund.

Loans are not provided for any projects that have an energy cost payback period of less than two years or more than twelve years. (Energy cost payback period is the time it takes for the total energy cost savings realized by an energy efficiency project to equal the original costs of the project.)

#### What Project Costs are Eligible?

The following direct costs of an energy efficiency project are eligible for financing:

- Building materials
- Mechanical systems and components including HVAC and hot water
- Electrical systems and components including lighting and energy management systems
- Labor necessary for the construction or installation of the energy efficiency project
- Design and planning of the energy efficiency project
- Energy audits that identify measures that are included in the project
- Inspections or certifications necessary for implementing the project.

The following costs are not eligible for financing from the Fund:

- The costs of a construction or renovation project that are not directly related to energy efficiency measures
- Costs incurred for the acquisition of financing for the project
- Costs for equipment or systems that reduce energy costs without also resulting in reductions in the use of energy.

For projects in which the school district receives a financial incentive or rebate from a utility or other third party, such incentives or rebates will be deducted from the costs that are eligible for financing from the Fund. No loans made from the Fund may exceed the final cost incurred by the district for the project after third party financing.

For an energy efficiency project undertaken as part of a new building construction, only the incremental cost of the project is eligible. (Incremental cost means the portion of the overall cost of

a measure or system that exceeds the cost that would have been incurred by meeting the minimum prescriptive requirements of the Utah Energy Code.) For an energy efficiency project undertaken as part of the renovation of an existing building, building components or systems that are covered by the prescriptive requirements of the Utah Energy Code must exceed the minimum Utah Energy Code requirements in order for their costs to be eligible for a loan from the Fund.

#### Loan Amounts

The maximum loan amount for any single project under this program is \$250,000 and the minimum loan is \$5,000. A district may apply for and receive multiple loans, however, no district can be awarded a loan that would cause its total indebtedness to the Fund to exceed \$500,000 at the time of the award. Loan amounts may cover all or some of the eligible projects costs, however, the value of any third-party incentives (e.g., utility rebates) will be deducted from any loan awards. (The sum of the loan plus third-party incentives cannot exceed the actual incurred costs to the district.)

#### Loan Payback Period and Amounts

As part of the application process, SEP will determine the likely energy cost payback period for a project. If approved for a loan, the district's loan payback period will then be set to be the same as the energy cost payback period. Quarterly loan repayments will also be set to be equal to the energy cost savings expected to be realized by the district for each quarter. In this way, the net cost of loan repayment to the district is zero. After a loan is repaid, the district then keeps all of the energy cost savings from the project. For the most cost-effective projects, loan repayments – and district savings – will occur within only a few years. (Note: In cases where there is a third-party incentive provided, quarterly payments will remain equal to quarterly cost savings, thus reducing the loan repayment period.)

#### Other Loan Terms

There is no interest for loans funded under this program. However, a small administrative charge of \$125 per loan per year is charged. All projects funded under this program must be completed within one year of approval of the loan; a six month extension may be requested. Loan funds are disbursed upon completion of the energy efficiency project and upon receipt by SEP of materials (e.g., paid invoices) documenting the incursion of final project costs, value of any third-party incentives, and completion of the project. After a loan has been awarded and before the project has been completed, districts will be required to submit quarterly progress reports to SEP. Once a project has been completed and loan funds have been disbursed, the district is required to provide annual reports on project success or problems and information on energy savings and consumption in the building. SEP also reserves the right to visit the site of the project both prior to and after completion to verify project progress and outcomes.

#### Other Incentive Programs

Though loan amounts from the program are reduced by the amount of third-party incentives, districts are urged to investigate whether other incentives can be used to increase the economic viability of projects. For example, utility cash rebates can significantly reduce loan payback periods, thus allowing for quicker realization of cost savings. Utility incentives may also allow a district to fully finance a project that would otherwise exceed the \$250,000 cap on loans from the Fund.

Rocky Mountain Power's FinAnswer programs apply to commercial buildings within its service territory. FinAnswer provides both project financing and free energy audits that can be used to assess project options. Information and contacts may be found at <http://www.rockymtnpower.net/Navigation/Navigation921.html>.

Questar Gas is making plans to offer a program similar to FinAnswer for its customers (subject to regulatory approval) beginning in early 2008. Information on Questar programs may be found at <http://www.thermwise.com/businesses.html>.

Some municipal and rural electric providers (providers other than Rocky Mountain Power) may provide incentives for efficiency upgrades. Districts with facilities located in these service territories should contact their local utilities to determine if incentives are available to them.

#### How Do Districts Apply for a Loan?

Prospective applicants must contact SEP at (801) 537-3300 to begin the application process. SEP will provide application materials at that time and will also assist districts in preparing applications and in evaluating project options. Beginning in November 2007, SEP will provide technical assistance to districts for developing projects for potential loan funding and to assist in analyzing the energy needs and use of existing district buildings.

#### Loan Award Process

Applications will be received by SEP three times per year. Applications are initially reviewed by SEP for completeness before being referred to a review committee. This committee meets to evaluate loan applications and make recommendations to the UGS Board. Evaluation of applications is based upon the following criteria and scoring:

1. Feasibility and practicality of the project (maximum 30 points)
2. Projected energy cost payback period of the project (maximum 20 points)
3. Energy cost savings attributable to the project (maximum 10 points)
4. Energy savings attributable to the project (maximum 20 points)
5. Financial need of the district (maximum 10 points)
6. Environmental and other benefits (maximum 10 points)

Applicants are urged to submit carefully planned and fully developed project applications – There is no advantage gained by submitting an incomplete application quickly in order to meet the nearest deadline. The UGS Board meets three times per year to consider applications for loans from the fund.

Deadlines for 2007 and 2008 are as follows:

<u>Application Deadline</u>	<u>Likely UGS Board Meeting</u>
December 7, 2007	January 11, 2008
February 29, 2008	Mid-April, 2008
July 3, 2008	Mid-August, 2008
November 21, 2008	Mid-January, 2009

Additional detailed information on the working of the Zero-Interest Loan Program may be found by referring to the formal Rules for the Energy Efficiency Fund. These rules may be found at <http://www.rules.utah.gov/publicat/code/r638/r638-003.htm>.